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AZ CORP COMMISSION
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Arizona Corporation Commission

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF CHAPARRAL CITY WATER
COMPANY, INC., AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN
ITS RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO: W-02113A-07-0551

NOTICE OF FILING REPORT
REGARDING LOST AND
UNACCOUNTED FOR WATER

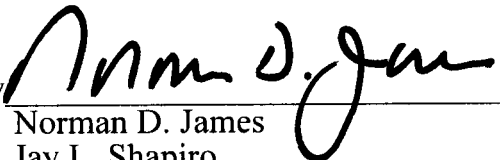
In Decision No. 71308 (Oct. 21, 2009), the Commission ordered Chaparral City Water Company, Inc. ("Company") to begin a 12-month monitoring exercise to determine whether the Company's lost and unaccounted-for water exceeds 10%. *See* Decision No. 71308 at pp. 73-74. The Commission further ordered that the Company file the results of this water monitoring by March 1, 2010.

In accordance with Decision No. 71308, the Company hereby files its Report Regarding Lost and Unaccounted-For Water, a copy of which is attached hereto. In short, this report shows that during 2009, the Company's monthly unaccounted-for water ranged from a low of 3.44% in October 2009 to a high of 6.57% in December 2009, and averaged approximately 5% for 2009. As discussed in the report, the Company continues to believe that there are problems with the accuracy of the meter installed by the Central Arizona Water Conservation District to record deliveries of surface water at the Central Arizona

1 Project turnout along Shea Boulevard. Unfortunately, the meter the Company installed at
2 the turnout has experienced difficulties with data reporting, which are being investigated,
3 and the magnitude of the discrepancy is currently uncertain. As the attached report
4 demonstrates, however, it is clear that the Company is not experiencing a water loss
5 problem.

6 RESPECTFULLY SUBMITTED this 1st day of March 2010.

7
8 FENNEMORE CRAIG, P.C.

9
10 By 
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ORIGINAL and thirteen (13) copies
of the foregoing were filed
this 1st day of March 2010, to:

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

COPY of the foregoing was hand delivered
this 1st day of March 2010, to:

Teena Wolfe, Administrative Law Judge
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Arizona Corporation Commission
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CHAPARRAL CITY WATER COMPANY, INC.

DOCKET NO. W-02113A-07-0551

REPORT REGARDING LOST AND UNACCOUNTED-FOR WATER

March 1, 2010

This report is submitted to comply with the requirements of Decision No. 71308 (Oct. 21, 2009), in which the Commission ordered Chaparral City Water Company, Inc. ("Company") to file the results of a 12-month monitoring exercise to determine whether the Company's lost and unaccounted-for water exceeds 10%. *See* Decision No. 71308 at pp. 73-74.

1. Background

Chaparral City's service territory is located in the northeastern portion of the Phoenix metropolitan area, in the Town of Fountain Hills and a small portion of the City of Scottsdale. During the test year in this case, 2006, the Company served 13,333 customers, including 12,431 residential, 375 commercial and 442 irrigation customers.

Chaparral City's primary water supply is imported Colorado River water, which is delivered by means of the Central Arizona Project ("CAP"). The Company also blends groundwater pumped from two wells within its service territory to augment its water supply.¹

CAP water is purchased under a subcontract with the Central Arizona Water Conservation District ("CAWCD"), which operates the CAP. Water is delivered to the Company at a turn-out that is located along Shea Boulevard at 122nd Street, in Scottsdale. Raw CAP water is then pumped to the Company's service territory in Fountain Hills where it is stored and treated to comply with the requirements of the Safe Drinking Water Act.

The Staff Engineering Report indicated that the Company's non-account water (i.e., water that was lost or unaccounted for) during the test year equaled 15.9% of total water pumped and purchased. *See* Direct Testimony of Marlin Scott, Jr., Ex. MSJ at p. 5. The Company explained that it believes that the intake meter at the CAP water turn-out, owned by CAWCD, is not accurately registering. Thus, the Company is actually receiving less CAP water than CAWCD's records indicate, creating the appearance of a high percentage of unaccounted-for water. The Company also explained that it intended to install a separate intake meter to obtain its own data concerning CAP water deliveries to determine if metering problem exists. Decision No. 71308 at p. 14.

To ensure that the Company's unaccounted-for water does not exceed a reasonable percentage of total water pumped/purchased, the Commission ordered the

¹ These wells also serve as a back-up source of supply in the event of interruptions in CAP water deliveries.

Company to proceed with the water monitoring program and to file a report by March 1, 2010 describing the results of the program. Decision No. 71308 at pp. 73-74.

2. Unaccounted-For Water for the Company's Water System

A schedule showing the Company's lost and unaccounted-for water for 2007, 2008 and 2009 is attached to this report as Exhibit 1. The first two columns report monthly and total water supply, i.e., treated surface water and groundwater. The quantity of treated surface water is measured by two meters at the Company's surface water treatment plant that registers the quantity of finished water produced by the plant. The next two columns report monthly and year-to-date total water sales. The third group of columns contains monthly and year-to-date total water used by the Company in connection with its operations, and provides the monthly percentage of such use.

The fourth group of columns shows the monthly amount of unaccounted-for water, which is calculated by subtracting water sales and water used in operations from total water supply, and the monthly percentage of unaccounted-for water. The final columns show monthly water "loss," in which water used in operations is not subtracted from total water supply, and the monthly percentage of such water.

As this schedule demonstrates, the Company's water distribution system does not have a significant amount of unaccounted-for water. During the three year period shown in the schedule, the percentage of unaccounted for water exceeded 10% during only two months, March and April, 2008. During 2009, the percentage of unaccounted-for water ranged from a high of 6.57% in December, 2009 to a low of 3.44% in October, 2009, averaged approximately 5% for the year. These data strongly suggest that the discrepancy discussed in the Staff Engineering Report between water pumped and purchased and water sold during the 2006 test year relates to the quantity of CAP water registered by the CAWCD meter at the CAP turn-out.

3. CAP Water Meter Discrepancies

In 2009, following the hearing in the rate case, the Company installed its own meter at the in the raw water line at the Shea Treatment Plant and connected that meter to its SCADA system for ease of data recording and collection. The meter was placed in service in April, and data were collected for the period May through December 2009. Unfortunately, the Company experienced problems with its SCADA system in the last quarter of 2009, rendering certain of the data suspect.

Nevertheless, the Company has prepared a schedule that reports CAP water deliveries by month for the period 2007, 2008 and 2009, as registered by CAWCD's meter at the CAP turn-out, and compares those water deliveries to the finished water produced by the Company's water treatment plant. This schedule is attached as Exhibit

2.² The schedule also contains the monthly data recorded by the meter the Company installed at the CAP turn-out for the period May, 2009 through December, 2009.

As Exhibit 2 shows, the water quantity registered by CAWCD's CAP meter (called the "CAP Raw Water Meter" in the schedule) has been consistently greater than the finished water produced by the Company's water treatment plant. The difference has been significant, ranging from a high of 24% in February, 2007 to a low of 10% in four different months in 2008 and 2009. In 2009, the average monthly difference was nearly 14%. If the month of February, 2009 is excluded, the differential has been remarkably consistent from August, 2007 through December, 2009, ranging from a high of 14% to a low of 10%.

The data obtained from the Company's raw water meter for the period May through December, 2009 also suggest that a serious discrepancy exists. However, the data that are shown on Exhibit 2 for the months of October, November and December, 2009 are not consistent with the data from the finished water meter at the Company's treatment plant. As stated, the Company experienced problems with its SCADA system during this period, and the data produced by the Company's raw water meter appear to have been affected by these problems.

As an additional check on the validity of the Company's data, the Company conducted a test on February 22, 2010. Between 8:00 a.m. and 9:45 a.m., the Company halted water treatment, while taking delivery of raw water from the CAP turn-out. The Company measured the water level in its raw water storage (influent) tank at 8:00 a.m., and then measured the water level in the same tank at 9:45 a.m. This allowed the Company to calculate the quantity of CAP water delivered to the treatment plant. The Company also read the two meters at the CAP turn-out at same times to evaluate the accuracy of the meters. The following table summarizes the results obtained.

	RW Tank Level (feet)	Company Meter (million gals.)	CAP Meter (thousand gals.)
Begin 8:00 a.m.	23.34	2319.80	21440171
Stop 9:45 a.m.	27.86	2320.21	21440805
Difference	4.52	0.41	634
Gallons	525,856.8	410,000	634,000
% of Actual Tank Volume Increase		78%	121%

² At the conclusion of Exhibit 2 is a schematic drawing of the Company's CAP water system. Meter #1 is CAWCD's CAP water meter, Meter #2 is the Company's CAP raw water meter, and Meter #3 is the Company's finished water meter.

The calculated volume of water added to the raw storage tank (column 1) is an estimate, but the Company believes it is reasonably accurate. These data indicate that the Company's CAP water meter is registering less than actual flow, while CAWCD's CAP water meter is registering more than the actual flow. The latter discrepancy created the appearance of a high percentage of unaccounted-for water, as Mr. Hanford, the Company's general manager, testified during the hearing.

The Company intends to correct the problem with its CAP water meter and to continue to collect data that will allow it to remedy this situation. However, the Company believes that it is clear that it does not have a water loss problem. As Exhibit 1 shows, the Company's water system is operating very efficiently, and is experiencing water loss that is below the level experienced by most Arizona water utilities.

The Company would be happy to meet with the Utilities Division to discuss this report or any other issue or concern relating to unaccounted-for water.

EXHIBIT

1

CHAPARRAL CITY WATER COMPANY, Inc
FOUNTAIN HILLS SYSTEM
CHAPARRAL DISTRICT TOTAL
All Units are in Thousand Gallons (kGals)

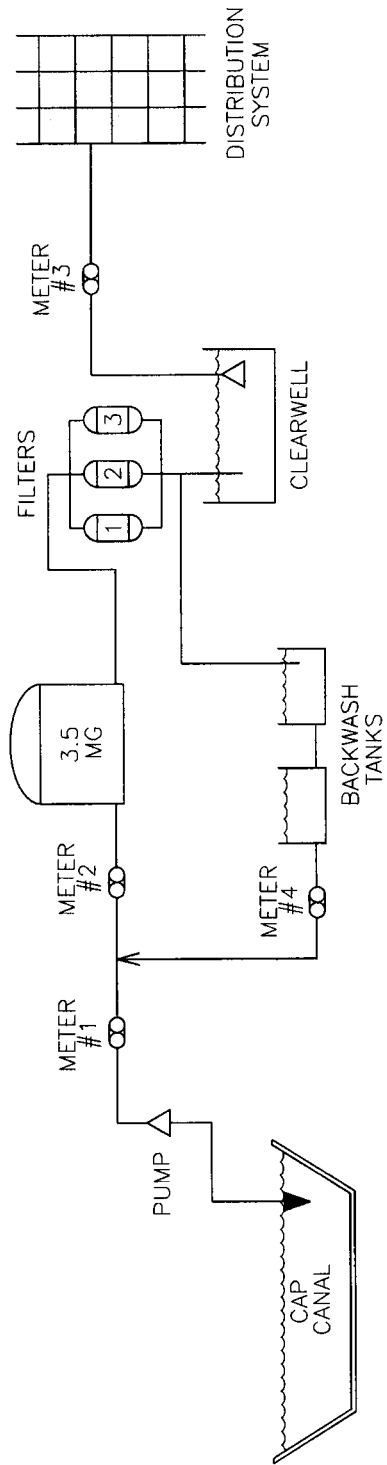
								Water Unaccounted For (Supply - Sales - Used in Operations)		Water "Loss" (Used in Operations + Unaccounted For)	
Total Water Supply		Sales		Used in Operations							
Month	12 Mo.	Month	12 Mo.	Month	12 Mo.	%	12 Mo.	%	12 Mo.	%	
2007											
JAN	122,426	122,426	127,457	127,457	714	714	0.58	(5,744)	(4.69)	(5,031)	(4.11)
FEB	105,287	227,713	116,521	243,978	340	1,053	0.46	(17,318)	(7.61)	(16,265)	(7.14)
MAR	141,072	368,785	111,703	355,681	483	1,536	0.42	11,568	3.14	13,104	3.55
APR	150,342	519,128	142,316	497,997	334	1,871	0.36	19,259	3.71	21,130	4.07
MAY	176,213	695,341	143,728	641,726	98	1,969	0.28	51,646	7.43	53,615	7.71
JUN	189,944	885,285	185,402	827,128	75	2,044	0.23	56,114	6.34	58,157	6.57
JULY	205,592	1,090,877	207,031	1,034,159	93	2,136	0.20	54,582	5.00	56,719	5.20
AUG	221,181	1,312,059	189,555	1,223,714	471	2,608	0.20	85,737	6.53	88,345	6.73
SEP	205,669	1,517,728	226,797	1,450,511	792	3,400	0.22	63,817	4.20	67,217	4.43
OCT	209,037	1,726,765	168,605	1,619,116	604	4,003	0.23	103,645	6.00	107,649	6.23
NOV	173,475	1,900,240	215,746	1,834,862	567	4,570	0.24	60,808	3.20	65,378	3.44
DEC	126,810	2,027,050	145,728	1,980,590	736	5,306	0.26	41,155	2.03	46,461	2.29
2008											
JAN	131,756	131,756	126,738	126,738	1,121	1,121	0.85	3,898	2.96	5,018	3.81
FEB	114,993	246,749	111,118	237,857	298	1,419	0.58	7,474	3.03	8,893	3.60
MAR	152,263	399,012	111,727	349,584	648	2,067	0.52	47,362	11.87	49,429	12.39
APR	162,298	561,311	137,879	487,463	202	2,269	0.40	71,579	12.75	73,848	13.16
MAY	177,729	739,040	191,307	678,770	517	2,786	0.38	57,485	7.78	60,270	8.16
JUN	196,600	935,640	167,590	846,360	475	3,261	0.35	86,020	9.19	89,280	9.54
JULY	211,942	1,147,582	188,085	1,034,444	1,021	4,282	0.37	108,856	9.49	113,138	9.86
AUG	211,248	1,358,831	203,155	1,237,599	523	4,804	0.35	116,427	8.57	121,232	8.92
SEP	180,505	1,539,336	174,220	1,411,819	332	5,137	0.33	122,381	7.95	127,517	8.28
OCT	213,319	1,752,655	177,345	1,589,163	1,885	7,021	0.40	156,470	8.93	163,492	9.33
NOV	169,711	1,922,366	203,888	1,793,051	529	7,550	0.39	121,765	6.33	129,315	6.73
DEC	132,600	2,054,966	169,863	1,962,914	3,525	11,075	0.54	80,977	3.94	92,052	4.48
2009											
JAN	128,299	2,051,509	108,816	1,944,992	374	10,328	0.50	96,189	4.69	106,517	5.19
FEB	111,628	2,048,144	109,665	1,943,539	1,646	11,676	0.57	92,930	4.54	104,606	5.11
MAR	147,861	2,043,742	111,426	1,943,237	322	11,349	0.56	89,156	4.36	100,505	4.92
APR	154,861	2,036,305	135,488	1,940,847	88	11,235	0.55	84,224	4.14	95,459	4.69
MAY	176,897	2,035,473	163,496	1,913,036	456	11,174	0.55	111,264	5.47	122,437	6.02
JUN	179,224	2,018,097	149,770	1,895,216	463	11,162	0.55	111,720	5.54	122,882	6.09
JULY	207,778	2,013,933	199,658	1,906,789	692	10,833	0.54	96,312	4.78	107,145	5.32
AUG	219,706	2,022,391	202,162	1,905,796	224	10,534	0.52	106,061	5.24	116,595	5.77
SEP	188,177	2,030,063	201,876	1,933,453	224	10,426	0.51	86,184	4.25	96,611	4.76
OCT	201,354	2,018,098	184,035	1,940,143	11	8,553	0.42	69,403	3.44	77,955	3.86
NOV	155,416	2,003,804	166,128	1,902,383	161	8,185	0.41	93,236	4.65	101,421	5.06
DEC	132,223	2,003,427	134,520	1,867,040	150	4,810	0.24	131,577	6.57	136,387	6.81

EXHIBIT

2

CHAPARRAL CITY WATER COMPANY, Inc
FOUNTAIN HILLS SYSTEM
CHAPARRAL DISTRICT TOTAL
All Units are in Thousand Gallons (kgals)

	CAP Raw Water Meter	SHEA Raw Water Meter	Shea Finished Water (FW)	Differentials					
				Cap Raw - Shea Raw		Shea Raw to FW		Cap Raw to FW	
				kgals	%	kgals	%	kgals	%
	Meter #1	Meter #2	Meter #3						
	kgals	kgals	kgals	kgals	%	kgals	%	kgals	%
2007									
JAN	151589		121,540					30049	-20%
FEB	133909		101,550					32359	-24%
MAR	173726		140,920					32806	-19%
APR	176775		145,550					31225	-18%
MAY	215331		175,601					39730	-18%
JUN	235609		189,299					46310	-20%
JLY	253812		204,940					48872	-19%
AUG	249106		220,334					28772	-12%
SEP	227199		201,751					25448	-11%
OCT	231664		205,579					26085	-11%
NOV	188606		167,893					20713	-11%
DEC	137830		121,275					16555	-12%
2008									
JAN	148412		131,756					16656	-11%
FEB	128822		114,805					14017	-11%
MAR	164534		144,931					19603	-12%
APR	182663		161,340					21323	-12%
MAY	164012		143,146					20866	-13%
JUN	155491		139,849					15642	-10%
JLY	175046		157,192					17854	-10%
AUG	170065		152,688					17377	-10%
SEP	147379		131,393					15986	-11%
OCT	185270		163,762					21508	-12%
NOV	155728		138,155					17573	-11%
DEC	137470		120,708					16762	-12%
2009									
JAN	136638	0	117,033					19605	-14%
FEB	126896	0	101,374					25522	-20%
MAR	161737	0	140,219					21518	-13%
APR	170216	0	149,596					20620	-12%
MAY	195962	178429	175,452	17533	-10%	2977	-2%	20510	-10%
JUN	200301	179252	176,321	21049	-12%	2931	-2%	23980	-12%
JLY	227572	207153	203,674	20419	-11%	3479	-2%	23898	-11%
AUG	240650	217189	212,218	23461	-12%	4971	-2%	28432	-12%
SEP	208478	189587	184,425	18891	-12%	5162	-3%	24053	-12%
OCT	224145	193989	198,627	30156	-11%	-4638	2%	25518	-11%
NOV	177402	140725	155,363	36677	-12%	-14638	9%	22039	-12%
DEC	149538	109702	132,040	39836	-12%	-22338	17%	17498	-12%



Chaparral City WATER COMPANY A Subsidiary of American States Water Company		Region 3035 Prospect Park Drive, Suite 80, Fountain Hills, Arizona 85268 Phone (918) 853-3800 Fax (918) 852-0171	
DRAWN BY: H.R.G.	02/25/10 Date	OFFICE FOUNTAIN HILLS	
DESIGNED BY: P. SCHUBERT	02/25/10 Date	JURSIDICTION: CITY/COUNTY FOUNTAIN HILLS	
ENGINEERING APPROVAL		CUSTOMER SERVICE AREA FOUNTAIN HILLS	
ENTERED ON HYDRAULIC MODEL BY:		TAX CODE	
REGION 1		SHEET NUMBER 1 OF 1	
DISTRICT CENT AZ		DRAWING NO. C-1	

LEGEND	
BOOSTER PUMP BOOSTER PUMP (GAS ENGINE) CARBON VESSEL (GAC) CHECK VALVE GENERATOR FOR BACKUP POWER HYDRAULIC GRADE LINE (2/3 FULL ELEV. CONTROLLING RESERVOIR OR PRV PRV SETTING OR CONTROLLING BOOSTER SETTING)	FILTER TANK PRESSURE FILTER PURCHASED WATER SUPPLY RESERVOIR, MG TREATMENT PLANT, MGD (MILLION GAL/DAY) VALVE, ALTITUDE VALVE, GATE OR BUTTERFLY (NORMALLY CLOSED) VALVE, REGULATING VALVE, PRESSURE RELIEF VFD VARIABLE SPEED DRIVE WELL